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PUBLIC EMPLOYEES' RETIREMENT SYSTEM MEMBER HANDBOOK

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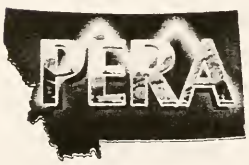

Mission Statement: ***The Montana Public Employee Retirement Administration (MPERA) will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.***

Contacting the MPERA

If you have any questions about the Public Employees' Retirement System (PERS), call or e-mail us or visit our website.

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E-Mail

In most cases, if you know the name of the person you are e-mailing, use their first initial and their last name plus @state.mt.us.

If you don't know who to contact, e-mail our "front desk" and we'll forward your question to the right person. The MPERA e-mail address is: **Mpera@state.mt.us**

Web Site

For updated information and to view MPERA newsletters and other publications visit us on the web at http://www.discoveringmontana.com/doa/perb/perb.htm

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Front cover: Statue of Thomas Francis Meagher, former Montana territorial governor, resides in front of the Montana State Capitol. Photo by Choctaw Photo.

MONTANA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

MEMBER HANDBOOK

October 2001

Public Employees' Retirement Board

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Preface

This *Public Employees' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Public Employees' Retirement System (PERS). It is intended to give you a general idea of what your benefits are and to acquaint you with the PERS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. **IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** Information in this handbook is based on 2001 law. Benefits are based on the law in effect at the time of your termination from employment; therefore, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous PERS member handbooks.

Montana Code

The law governing the PERS may be found in Title 19, Chapters 2 and 3, Montana Code Annotated (MCA). MCA is available on line at: http://www.leg.state.mt.us/services/legal/laws.htm References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parentheses throughout this publication.

Overview

- You are eligible to retire and receive a service retirement benefit if you have completed 30 years of membership service at any age or you are age 60 with at least five years membership service.
- The PERS provides disability retirement benefits and survivor benefits, if eligible.
- You and your employer both contribute toward your future retirement benefits.
- You may withdraw only your contributions plus interest if you leave PERS-covered employment before retirement.
- If you withdraw your contributions before retirement, you lose your right to any future retirement benefit.

Introduction

Retirement Security for our Members Since 1945

The Public Employees' Retirement System (PERS) is a public pension plan for employees of the state, university system, and local governments. In 1945, the Legislature created the PERS to grant a retirement, disability, or death benefit to state workers or their heirs. Unless another state plan covers the job, the PERS will cover all state and university workers. Local governments may contract with the Board to cover their workers under the PERS. Membership of the PERS consisted of the following as of June 30, 2001:

PERS Membership

Number of participating employers	510
Active plan members	29,641
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	2,015
Non-vested	10,706
Retirees and beneficiaries receiving benefits:	
Service Retirements	13,195
Disability Retirements	332
Survivor Benefits	271

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the PERS, seven other retirement systems, and the State's Deferred Compensation Plan. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms "we", "us", the MPERA, and Board interchangeably.

Money that you pay into the PERS earns interest and helps pay for your benefits. At the MPERA, we keep track of your money in your own account, and credit your account with interest. We combine the

funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§§ 19-2-408 and 19-2-505, MCA)

Every two years, an actuary must evaluate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§§ 19-2-403 and 19-2-405, MCA)

The current PERS retirement plan is a **Defined Benefit Retirement Plan (DBRP).** The 1999 Legislature passed laws establishing an additional retirement plan for the PERS. This new plan will be a **Defined Contribution Retirement Plan (DCRP)** which must be implemented July 1, 2002. All current active and new PERS members will have an opportunity to choose membership in either the DBRP or DCRP. The choice can not be changed. A clear knowledge and understanding of both the DBRP and the DCRP is very important to help members make this decision. The MPERA will provide educational training to help the PERS members understand the plans and the necessity of retirement planning. (§§ 19-3-2102 and 19-3-2103, MCA)

Following is a brief explanation of the DBRP and the DCRP:

Defined Benefit Retirement Plan (DBRP): A DBRP guarantees a specified retirement benefit based on a percentage of your highest average compensation and your years of service credit. When eligible, your monthly benefit will be increased each year by a Guaranteed Annual Benefit Adjustment. Your monthly benefit will be paid to you for your lifetime. In a DBRP, the retirement system bears the

risk when it guarantees your lifetime retirement benefit. **Currently, the PERS is a Defined Benefit Retirement Plan (DBRP).**

Defined Contribution Retirement Plan (DCRP): In a DCRP, the contributions into the plan are known; the benefit is not. A DCRP establishes individual member accounts and offers a variety of investment options. Members direct their (and a portion of the employers') monthly contributions to investment options selected from those offered by the plan. The retirement benefit received is based upon the account balance - contributions plus investment earnings (or losses), less administrative cost. In a DCRP, members bear the risk that their investment and accumulated account balance will be sufficient for lifetime retirement.

Active members of the PERS will receive educational information to assist them in making a decision to remain in the Defined Benefit Retirement Plan (DBRP) or select the Defined Contribution Retirement Plan (DCRP). Watch for educational information beginning this fall and continuing to the implementation of the plan July 1, 2002. Active members before the date of implementation will have 12 months (to June 30, 2003) to make the decision to stay in the DBRP or change to the DCRP. New members of the PERS after the date of implementation will receive educational information and will have 12 months from the date of employment to decide which retirement plan is right for them.

NOTE:
This *PERS Member Handbook* provides information for the Defined Benefit Retirement Plan. It does **not** explain the Defined Contribution Retirement Plan.

Section I: Membership

Generally, if the PERS covers the job, you must become a member. There are several exceptions which are explained on page 11. This section explains membership enrollment, contributions, and service.

1. Membership Enrollment

Membership enrollment is required for most PERS-covered jobs. Optional membership for some positions is explained on page 11. Information is also provided for working retired members and an explanation of employees who are excluded from membership.

Membership Cards

New employees must complete a membership card upon starting work in a new job covered by the PERS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. (§19-3-401, MCA and ARM 2.43.402)

The MPERA will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. **Update the card whenever any of the information on the card changes.** To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card. We print data from your membership card on your Personal Statement of Account which is mailed to you each August. Check the statement carefully. If any of the Member or Named Beneficiary data is wrong, submit a new card to your payroll clerk. (§ 19-2-801, MCA and ARM 2.43.402)

Optional Membership

If you are a new employee and PERS membership is optional for your position, you may choose to become a PERS member by: (1) filling out a membership card, and (2) completing an Optional Membership Election form. If you do not wish to elect PERS membership, you must complete the Optional Membership Election form to decline membership.

The Optional Membership Election form must be completed and returned to the MPERA whether or not you choose PERS membership.

Your payroll clerk can supply the card and form and will send them to us after you complete them. The employer must keep a copy of the form on file and return the original to the MPERA. You, not your employer, must decide if you should be a member. Once you become a member, you must follow the same laws and rules as any other member. **Do not complete a membership card if you do not want to become a member.** (§§ 19-2-303, 19-3-401 and 19-3-412, MCA; 2.43.402 and 2.43.403 ARM)

Listed below are the types of new employees who are not required, but who may choose, to become members of the PERS:

- ❑ Elected officials of state or local government paid on a salary or wage basis.
- ❑ Employees scheduled to work less than 960 hours per fiscal year, cumulative of all PERS employers.
- ❑ Employees directly appointed by the Governor.
- ❑ Employees of the legislative branch, working 6 months or less, performing work related to the legislative session.
- ❑ Chief administrative officers of a city or county.
- ❑ Employees of a county hospital or rest home.

You are a member if you have contributions and service on account with the PERS. Once a member, you may not withdraw from the PERS even if you will work less than 960 hours in the coming year. Even if you terminate employment and later accept a job for which membership is an option, you must continue your membership if you have funds on account. **In other words, if you are already a member, then your membership must continue even if otherwise it is optional.** You are eligible to complete a new election form only if you received a refund of your account. If you are an elected official, you may not withdraw upon your re-election to office.

Your membership continues as long as you work in a PERS-covered job, when you have contributions and service on account.

Working Retiree Membership

A retired member may work for a limited time in a PERS-covered job without becoming an active member. Current law imposes various limits on working retirees, and if they exceed the limits, their benefit may be reduced. Every month each employer must report all working retirees to the MPERA. The report must account for each retiree's total paid hours and total wages. Retirees must also report the same information; their signature on the employer's report will serve as their report. See page 32 for more details about working retirees. (§ 19-3-1106, MCA)

NOTE: A retiree must be retired for at least 30 days and receive one benefit check before accepting a PERS-covered job.

Working retirees may elect to end retirement and become active members. They need to complete a membership card and have their payroll clerk send the card to us upon this election. Upon notification, we will stop paying a benefit to a retired member who becomes an active member. When these members are ready to retire for the second time, they must notify the MPERA and we will calculate a new benefit using the additional service.

Exclusion from Membership

The following types of employees may not become members:
(§ 19-3-403, MCA)

- ❑ Inmates of state institutions.
- ❑ Persons in state institutions mainly for training, but who receive pay.
- ❑ Independent contractors.
- ❑ Persons who receive credit for their current employment in any other public retirement plan, except Social Security.
- ❑ Court commissioners, elected officials, or members appointed to boards or commissions who serve part-time and receive only per diem.
- ❑ Full-time students working at and attending the same public school, community college, or unit of the state university system.*

* A student of a public community college or a unit of the university system who later becomes a member of the PERS may purchase this time. (See Purchase of Service, on pages 20 - 23.)

2. Contributions

You and your employer pay contributions to the PERS. The following explains contributions to the PERS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross compensation to the PERS. The current contribution rate is 6.9%. Your employer will withhold this money from your gross pay and send it to us. We will credit your contributions to your individual account. (§19-3-315, MCA)

Interest: Your PERS account earns interest and we add it to your account each month. **Generally, the interest credited to your account will not affect the amount of your monthly retirement benefit.** The exception is the money purchase benefit (see page 28) The monthly service retirement benefit is set by a statutory formula (see page 26). If you end your PERS-covered employment and leave your money on account, it will continue to collect interest. If you take a lump sum refund instead of a monthly benefit, you will receive the interest on your contributions also.

Tax-Deferred: Since July 1985, the money you contribute to the PERS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the PERS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to the PERS. If you have taxed money in your account and elect to take a lump sum refund, or retire, then part of your refund or monthly benefit will be tax exempt.

Purchase of Service: To purchase refunded or other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by a payroll deduction contract. If these

contributions are not made through payroll deduction, they are not tax-deferred.

You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

Your employer also contributes to the trust fund. Each month the employer contributes 6.9% of their total PERS-covered payroll. The State contributes 0.1% of the 6.9% for local governments and school districts. Employer contributions provide "pooled" funds for retirement, disability and death benefits. Employer contributions are not refunded to members.
(§§ 19-3-316 and 19-3-319, MCA)

Refund of Contributions

When you receive a refund, you are no longer a member of the PERS. You will have no right to any form of PERS benefit.

Vested members who end PERS-covered employment may leave their money on account; it will continue to earn interest. They may also receive a refund of the accumulated contributions (member contributions plus interest) in their account. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than three months, you should contact us directly to apply for a refund. (§19-2-602, MCA)

Processing a Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you

get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a mandatory PERS-covered job, you will again become a member. We will consider you a new member without credit for the refunded service. You may redeposit the refunded service to reinstate it for credit. For more details see Purchase of Service, on page 20. (§19-2-603, MCA)

If you are not a vested member (less than 5 years of membership service) at the time you terminate service and you have less than $5,000 in accumulated contributions, (your contributions plus interest), you must receive a lump sum refund. You may also make a written request to have your eligible contributions rolled over to a qualified retirement plan. Inactive non-vested members who have more than $5,000 in accumulated contributions may leave their money on account and it will continue to earn interest. However, they are eligible only for a refund of their accumulated contributions and will have no right to any form of PERS benefit. (§ 19-2-602, MCA and ARM 2.43.406)

NOTE:
If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Taxes on Refunds, on page 52.

3. Service

The amount of time you work and contribute to the PERS affects the amount of your retirement benefit. The benefit you receive will depend on the number of years you work in a PERS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other PERS benefits. You earn one month of membership service for any month you contribute to the PERS, regardless of the number of hours you work that month. You earn membership service for all periods of service, whatever the hours you work or the pay you receive.

If eligible, active and inactive vested members may purchase some types of service that will count as membership service. (See Purchase of Service, on pages 20 - 23.) Retirees may not earn membership service, nor may they buy service. Your total membership service may not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different. (§§ 19-2-303, 19-2-702, and 19-3-401, MCA)

Vesting

When you have five years of membership service, you have a "vested" right to a retirement benefit if you meet the other eligibility requirements. (See page 26, Retirement Benefits.) Even if your PERS-covered employment ends, you have the right to a future benefit, when eligible, if you are a vested member. If you withdraw your accumulated contributions, you give up your right to retirement benefits.

Example: A member becomes vested after earning five years of membership service (60 membership-service months). If you were

to leave PERS-covered employment at age 37 with nine years of membership service, and if you do not withdraw your contributions, you may receive a monthly benefit when you are eligible for retirement.

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month of service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours of work during that month. You may not get credit for more than one month even if you work more than 160 hours during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you worked 80 hours during a given month, you would earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§19-2-701, MCA; ARM 2.43.406 - 409)

Your service credit years at retirement will be calculated by dividing service credit months by 12.

Example: Suppose you were hired April 1, 1982 and you work full-time until June 30, 2002, when you will retire. Your months of service credit would be calculated as follows:

Period of Employment	Months
April 1982 - December 1982	9.0
January 1983 - December 2001	228.0
January 2002 - June 2002	6.0
TOTAL	243.0

243 months divided by 12 months = 20.25 years of service credit. The factor used to calculate your service retirement benefit would be 20.25. (See page 26.)

Part-time Service

Upon retirement, the MPERA will adjust either your service credit or Highest Average Compensation (HAC) if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment to your service credit until retirement.

Personal Statement of Account

Each August the MPERA will send you a statement with information concerning your retirement account. Carefully review the statement to verify all the information is correct. If you have corrections or changes to any of the personal information or questions concerning account information as it appears in your statement, please submit them to the MPERA **in writing,** along with a copy of your statement.

If you have part-time employment, the total service credit reported in your statement may seem wrong. The statement reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. As noted above, we will make adjustments for part-time service when you retire. We adjust your service credit to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your HAC may be based on that full-time service. When your HAC is based on full-time service, we don't adjust your part-time service.

NOTE:
We will correct mistakes in your account or service credit when we identify them, or at least before your benefit is final. Mistakes will not bind the MPERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, **please inform us in writing**, and provide specific information including your current mailing address.

Purchase of Service

Eligible members may purchase various types of membership service and service credit. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.** More detailed information on requesting the cost statement and paying for the purchase, as well as the types of service which may be purchased, is summarized below and on the following pages.

Request a Cost Statement: To purchase service, you must receive a cost statement. You must first write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service, including the approximate dates of service. Your former employer can usually provide you copies of relevant documents. We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the MPERA can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduction. Inactive vested members, active members not paid monthly, or active members who wish to self-pay may send payments directly to the MPERA. (These payments are not tax-deferred.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated. We will track your monthly payments in an additional contribution account until

you complete the service purchase contract. Then we will transfer the money to your regular account and credit your account with the service.

Vested members may purchase most types of service at any time before retirement. Be aware, any delay may increase the cost because of added interest or higher salaries. You may not buy any service that will qualify you for a retirement from another public retirement system. To buy this service, you must first receive a refund of the service from the other public system. Members must complete all service purchases before they retire.

Types of Service Which May Be Qualified:

1. Refund: Refunded service means you terminated your job, and the MPERA paid you the accumulated contributions (your contributions plus interest) in your account. To purchase refunded service, you must repay the contributions and interest you received as a refund. You must also pay the interest the refund would have earned if you had left it on deposit. Refunded service is both membership service and service credit. (§ 19-2-603, MCA, and ARM 2.43.420 and 2.43.422)

2. Retroactive: Retroactive service is service with a PERS-covered employer that wasn't credited to the PERS at the time. A member who has retroactive service may buy all or a part of that service. Retroactive service is both membership service and service credit. (§ 19-3-505, MCA; ARM 2:423)

3. Montana Public Service: Members may buy service refunded, or for which they are eligible to receive a refund, from other Montana statewide retirement systems administered by the MPERA. Other full-time public service employment with the state or a political subdivision of the state may also qualify. Members may also buy service from the Teachers' Retirement System for which they have received, or are eligible to receive, a refund. All service referenced in this paragraph is both membership service and service credit. (§§ 19-3-509 and 19-3-511, MCA; ARM 2.43.420 and 2.43.422)

4. Absence Due to Illness or Injury: Time that a member is absent from work due to a work-related injury or illness is considered membership service. To qualify, the illness or injury must be work-related. The time which can be purchased may not exceed five years. If the member is eligible to and pays the contributions and interest, the absence will also count as service credit. Upon return to work, the employee and employer must file a written application to buy the time. The MPERA must receive certification the injury was work-related within one year of the member's return to work. Members lose the right to contribute for the absence if they received a refund of their account during the absence. (§ 19-3-504, MCA; ARM 2.43.424).

5. Additional ("1-for-5") Service: For each 5-year period of membership service, you may buy 1 year of additional service credit. You may buy no more than 5 years of additional service. Members eligible to buy 1 year may buy less than a full year.

"1-for-5" service is not membership service and it cannot make you eligible to retire or to purchase other types of service. We will include all service credit, including the additional "1-for-5", when calculating the amount of your retirement benefit. If you meet the requirement for early retirement, you can use it to reduce or eliminate the early retirement reduction of your monthly benefit. Your total service credit on your annual statement will not include the 1-for-5 service you buy; however, it will be added to your service credit when we calculate your retirement benefit. (§19-3-513, MCA; ARM 2.43.432)

6. Military: You may buy up to 5 years of active military service, if you have at least 10 years of membership service. Military service is purchased at the actuarial cost. Normally, if you are receiving a retirement from the military, you may not buy that military service. Military service is both membership service and service credit. (§19-3-503, MCA; ARM 2.43.437)

7. Other Public Service: Vested members may buy service covered by another state, local, or federal government retirement system. If you received a refund of your account with another system, you may buy up to 5 years of that service in the PERS. You may also buy the service if it occurred before the employer adopted a public retirement system. You may not use this service to qualify you to buy military service. Also, you may only count it as service credit if your last 5 years of service are with a PERS employer. (§§ 19-3-510 and 19-3-512, MCA; ARM 2.43.430)

Limitations: Current law limits your purchase of military, additional, and other public service to a combined total of 5 years. The limit became effective January 1, 1990. Service purchases completed before January 1990 do not count toward the five-year limit.

Section II: Benefits

To receive retirement benefits under the PERS defined benefit retirement plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you. The benefit option you choose at retirement may also provide for a continued survivor benefit. This section explains how to qualify for retirement, the payment options available, how to calculate your benefit, and sample calculations for benefit options.

1. Qualifying for Benefits

Vesting

When you complete five years of **membership service** (explained on page 17), you become a vested member. Once vested, the PERS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a PERS-covered job and making the required contributions to the system. If vested and at least age 50, you may terminate employment and apply for a monthly retirement benefit. You could also take a refund of your account, rather than a retirement benefit. (§ 19-3-401, MCA, and ARM 2.43.603)

When you withdraw your accumulated contributions from your account (your contributions plus interest), you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a retirement benefit. (§ 19-3-401, MCA, and ARM 2.43.603)

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefit from the PERS.

Inactive Vested Members

You are an inactive, vested member when you terminate PERS-covered employment, have five or more years membership service, and do not withdraw your PERS account. As an inactive, vested member, you may buy any service for which you are eligible. You may apply for a retirement benefit when you meet the minimum age and/or service requirement. (§ 19-3-401, MCA)

Non-Vested Members

If you terminate employment before you become a vested member, you may not purchase service. You will not be eligible for a retirement benefit later. However, you are eligible for a refund of your accumulated contributions (your contributions plus interest). The PERS will pay you interest until you receive the refund. (See page 16 for information on refunds for non-vested members.)

General

You will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security. Upon your death, if you select Option 2 or 3, your contingent annuitant will receive a benefit for life. Section III explains payment options.

2. Retirement Benefits

PERS members are eligible to receive benefits upon meeting certain requirements. The PERS defined benefit retirement plan provides benefits for members as outlined on the following pages.

Service Retirement

You are eligible for service retirement when you meet **any** of the following criteria:

- Age 60, with at least 5 years membership service.
- Age 65 and in active service.
- 30 years of membership service at any age.

As stated earlier, the PERS is a defined benefit retirement plan. Defined benefit retirement plans use a set or defined formula to calculate your benefit. The PERS retirement benefit is based on your highest consecutive 36 months of compensation. This does not have to be your last 36 months of employment. It may come from earlier in your career. (§ 19-3-901, MCA)

The basic formula for a monthly service retirement benefit in the PERS depends on your years of membership service and service credit as explained below: (§ 19-3-904, MCA)

1. Less than 25 years membership service: **1/56 x** years of **Service Credit x Highest Average Compensation (HAC)**
2. 25 years or more membership service: **1/50 x** years of **Service Credit x Highest Average Compensation (HAC)**

An explanation of the factors used in the formula follows:

(A) Your service credit is the amount of full-time service you earned (see page 18).

(B) 1/56 (1.7857%) or 1/50 (2%) is a factor that determines how much of your HAC you get for each year of service credit.

(C) HAC is the average of your highest consecutive 36 months of salary. Add your highest consecutive 36 months of compensation and divide by 36 to get the average monthly compensation.

Early Retirement

You are eligible for early retirement if you meet **either** of the following criteria:

- Age 50, with at least 5 years membership service.
- 25 years of membership service at any age.

For early retirement, the MPERA reduces the amount of your service retirement benefit by an early retirement factor (ERF). The ERF depends upon how many years it will take you to reach age 60 or 30 years of membership service. We will use the ERF that gives you the larger benefit. To estimate your early service retirement benefit, you must first calculate your Option 1 service retirement benefit from Table 2 on pages 36-37 or by using the factors on the previous page. Next, select the ERF from the table below which applies to you. If both an age and service category apply to you, then use the largest factor. (§§ 19-3-902 and 19-3-906, MCA)

TABLE 1: EARLY RETIREMENT FACTORS

AGE	EARLY RETIREMENT FACTOR (ERF)	YEARS OF MEMBERSHIP SERVICE
59	0.940	29
58	0.880	28
57	0.820	27
56	0.760	26
55	0.700	25
54	0.664	NOTE: Members under age 50 with less than 25 years of membership service are not eligible for early retirement.
53	0.628	
52	0.592	
51	0.556	
50	0.520	

Money Purchase Benefit

The PERS also has a money purchase benefit. The money purchase benefit is based on your age, and double the balance of the regular contributions and interest in your account. Amounts paid for additional contributions to purchase service plus interest will also be used in the calculation of this benefit. It is a monthly benefit just like the service retirement benefit. If you retire after a long period as an inactive member, the money purchase benefit may give you a larger benefit. **We will calculate a member's benefit using both methods, and you will receive the larger of the two.** You will receive the money purchase benefit for life, and you may also choose any of the payment options. (§19-3-904, MCA)

Following is one example of when the money purchase benefit would be larger than a service retirement benefit:

You terminate your PERS employment at age 36 with 9 years of service and a highest average compensation (HAC) of $3,200. In 14 years, at age 50, you are eligible for early retirement and your accumulated contributions (your contributions plus interest) in the PERS now totals $48,000.

The monthly **service retirement benefit** would be:
1/56 x years of Service Credit x HAC x Early Retirement Factor

1/56 x 9 x $3,200 x .520 = $267 per month

The **money purchase benefit** would be $319 per month, or $52 more than the monthly service retirement benefit.

NOTE:
Your account will continue to earn interest, and it grows over time. Eventually, the money purchase benefit will be larger than the service retirement benefit. The money purchase benefit helps compensate for inflation. As stated above, we will calculate a member's benefit using both methods and you will receive the larger of the two.

3. Disability Retirement

To qualify for a disability retirement, you must meet the following requirements. You must be a vested member (have at least 5 years of membership service). The disability must be total and permanent, but if not permanent, then at least of uncertain duration. Your disability must prevent you from doing the essential elements of your job. Employers must catalog the essential elements of your job. The disability need not be work-related, but it must occur during your active membership.

Effective Date of Disability Retirement Benefit

You should apply for the disability retirement benefit while you are an active member. Once you are approved, disability retirement benefits are effective the day after you terminate your employment. To receive disability retirement benefits, you must terminate all current employment.

If you terminate your job first, then an application made within four months of your termination must prove your disability occurred before you terminated. If you apply for the disability retirement benefit after four months have passed since your termination of employment, you must prove your disability occurred before you terminated and also that it has been continuous from when you terminated. (§§ 19-3-1002 and 19-3-1005, MCA)

Disability Benefit

Members who joined the PERS before February 24, 1991, could choose disability coverage under the old or new disability law. This choice had to be made in writing, on or before December 31, 1991.

If you are uncertain whether you signed the election form to be covered under the new law, please contact us.

A disabled member who chose coverage under the new law, or joined the PERS after February 24, 1991, will receive a monthly benefit equal to one of the following:

1. Less than 25 years membership service: 1/56 x years of Service Credit x Highest Average Compensation (HAC)
2. 25 years or more membership service: 1/50 x years of Service Credit x Highest Average Compensation (HAC)

This is the same formula used to calculate your service retirement benefit except there is no reduction in the benefit amount for early retirement. The money purchase benefit is not used for a disability retirement benefit. A disability retiree may elect any of the 4 benefit payment options available to service retirees. (§ 19-3-1008, MCA)

Under the old law, a disabled member will receive a monthly benefit equal to one of the following, **whichever is the larger.**

1. Less than 25 years membership service: .90 (1/56 x years of Service Credit x HAC)
   25 years or more membership service: .90 (1/50 x years of Service Credit x HAC)
   (Years of service credit include additional service purchased.)
2. A benefit equal to: .25 x HAC

Disability Reviews

The Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to decide if the member still qualifies for disability retirement.
(§ 19-3-1015, MCA)

Employment

While receiving a disability benefit, you may earn other income, but the law limits how much you may earn. This limit is the monthly amount you were earning when you became disabled. For any month that your other income **plus** your disability retirement benefit is more than the limit, the MPERA will reduce your benefit. Your benefit will be reduced $1 for every $1 your earnings are over the limit. After receiving a disability retirement benefit for 36

months, the board will automatically adjust your limit for inflation. (§ 19-3-1103, MCA)

The MPERA will review the monthly income of all disability retirees every year. You must report your annual income on forms provided by the MPERA.

The limit applies to income you earn from employment in a position that is not covered by the PERS. **If you accept a PERS-covered job, we will reinstate you to active service and cancel your disability retirement benefit.**

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases:

- ❑ The member is no longer totally disabled and can return to his or her former job.
- ❑ The member accepts a PERS-covered job.
- ❑ The retiree refuses to submit the results of a current medical exam for review.

(§§ 19-3-1015 and 19-3-1104, MCA)

NOTE: When you reach service retirement age (60), we will convert your disability retirement to a service retirement. The benefit amount will not be adjusted. Converting to a service retirement will end medical reviews, annual financial review, and eliminate the earnings limit. If you accept a PERS-covered job after conversion, your limits will be the same as for all other service retirees. See the next page for more information on Working Retirees.

Contact us for complete details about disability benefits and how to apply.

4. Circumstances Affecting Benefits

Working Retiree

Many members may work in a PERS-covered job after they retire. (The exception is members receiving a disability retirement as explained on pages 30 - 31.) **A retiree must be retired for at least 30 days and receive one benefit check before accepting a PERS-covered job.** The law imposes some limits on working retirees depending on your age. Your limit is 960 hours of employment if you are less than age 65. We will reduce your benefit $1.00 for each $1.00 earned from employment more than 960 hours. This limit applies to each calendar year and the MPERA will only reduce your benefit when you exceed the limit. If you are age 65 or older, then your limit is either 960 hours **or** an earning limit. The earning limit is equal to your HAC adjusted for inflation. Your retirement benefit plus what you earn must be less than your HAC or earning limit. The earning limit will apply only to pay from your PERS-covered job. Any money you earn from other sources will not apply to your limit. Neither the remainder of the limit nor any part of what you earn may be carried over from year to year. When both limits apply, the MPERA will apply the limit that gives you the higher income. Whichever limit applies, we will reduce your benefit $1.00 for each $1.00 you earn from employment that exceeds the limit. No earning or hour limit will apply to any retiree who is age 70½ or older. The above limits apply only to PERS retirees and to employment covered by the PERS.

Any retiree working in a PERS-covered job may become an active member. If the retiree becomes an active member, the MPERA will stop the retiree's benefit. When the member retires for the second time, we will include the additional service when calculating the new benefit. (§19-3-1106, MCA)

Each month, your PERS employer must certify the paid hours you work in a PERS-covered job and how much pay you receive. Only the regular hours worked for which you receive pay will count toward the 960-hour limit. Annual, sick, or holiday pay are not in-

cluded in the 960-hour limit. Also, any donated hours do not count, and you don't need to report them. We will supply the form necessary to report your hours and wages as a working retiree. Both you and your employer must report this data to the MPERA; however, your signature on the employer's report will suffice as your report. We do not require a report for a month in which you do not work. If you become an active member, the report is not required. (§19-3-1106, MCA, and ARM 2.43.506)

The PERS covers most positions with the state, university system, local governments, and school districts. If unsure, you should ask potential employers if the PERS covers the position before you start work.

Involuntary Termination

A special provision requires the state and university system to pay **part** of the cost of buying additional service if you are involuntarily terminated. To be eligible for the provision you must be: a state or university employee; and, eligible for service or early retirement under the PERS. Your termination must be the result of reorganization, closure of an agency, or a reduction in force. You must also waive any other benefits that you may be eligible for under the State Employee Protection Act. The provision allows you to receive up to 3 years of additional service, if you are eligible; however, the state may only pay part of the cost.

If you accept the additional service, then special restrictions besides those previously discussed will apply to you. You may work in the same jurisdiction for only 959 hours in a PERS-covered position or for only 599 hours in a position covered under any of the other public retirement systems. All state agencies and units of the university system are the same jurisdiction, namely, the State of Montana. Local government units are separate jurisdictions. If you exceed the limit, you will forfeit the additional service. We will recalculate your benefit without the additional service credit. (§§ 19-2-706 and 19-3-908 MCA; ARM 2.43.451 and 2.43.452)

For example, assume you are under age 65, and you are involuntarily terminated from a state agency due to reorganization. You decide to retire, and the state pays **part** of the cost of buying you 3 years of additional service. You can accept lesser service, or pay the additional amount to receive three full years. Later, you accept a PERS-covered job with a state agency. We will apply the 959-hour limit. After 959 hours, you will lose the additional service. We will recalculate your benefit without the 3 years of additional service. If you were to return to work in another retirement system, the 599-hour limit would apply. After 599 hours, we will recalculate the benefit without the additional service.

If you have questions, call us before you exceed the limits.

Independent Contractors

The above limits do not apply if you work as an independent contractor. An independent contractor is an individual engaged in an independent trade, occupation, profession, or business; who works under contract; and who is free from control or direction when performing services under the contract. Factors which determine whether services are free from control or direction include, but are not limited to the following:

- Exercise of control — contractor control of the means by which the work is done shows independence.
- Method of payment — payment based on hours — shows employment rather than independence.
- Furnishing of equipment — contractor-furnished equipment shows independence.
- Right to fire — employer right to fire the contractor shows employment rather than independence.

If you are not engaged in an independent trade, occupation, profession, or business; or if you do not perform your services free from control, you are not an independent contractor.

Section III: Payment Options

When you retire, you must select a benefit payment option. Currently, the PERS offers four benefit payment options. Some options provide for another person to receive your benefit after your death. That person is your "contingent annuitant." (§ 19-3-1501, MCA)

This section provides information on each option, a table to help you calculate your benefit, and some sample calculations.

1. OPTION 1

Option 1 is the largest monthly amount you may choose. Option 1 is also the basis for all other options. The benefit is computed using the defined benefit formula or the money purchase benefit formula. If you retire early, then the early retirement factor will reduce your benefit. Members who choose Option 1 will receive the benefit for life. Upon the member's death, the designated beneficiary will receive any balance left in the member's account. That account balance is the amount available at retirement less the total benefits paid to the member. All monthly benefit payments end upon the retiree's death.

NOTE:
Once you choose an Option 1 retirement you may not make a change after cashing your first benefit payment.

Table 2. Service Retirement Benefit

Option 1 Monthly Benefit (1)
Disability Retirement Benefit (2)
(Age 60 and over, or at least 30 years of membership service)

Years service credit (4)	HIGHEST AVERAGE COMPENSATION (HAC) (3)										
	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500	$1,600	$1,700	$1,800	$1,900	$2,000
5	89	98	107	116	125	134	143	152	161	170	179
6	107	118	129	139	150	161	171	182	193	204	214
7	125	138	150	163	175	188	200	213	225	238	250
8	143	157	171	186	200	214	229	243	257	271	286
9	161	177	193	209	225	241	257	273	289	305	321
10	179	196	214	232	250	268	286	304	321	339	357
11	196	216	236	255	275	295	314	334	354	373	393
12	214	236	257	279	300	321	343	364	386	407	429
13	232	255	279	302	325	348	371	395	418	441	464
14	250	275	300	325	350	375	400	425	450	475	500
15	268	295	321	348	375	402	429	455	482	509	536
16	286	314	343	371	400	429	457	486	514	543	571
17	304	334	364	395	425	455	486	516	546	577	607
18	321	354	386	418	450	482	514	546	579	611	643
19	339	373	407	441	475	509	543	577	611	645	679

20	357	393	429	464	500	536	571	607	643	679	714
21	375	413	450	488	525	563	600	638	675	713	750
22	393	432	471	511	550	589	629	668	707	746	786
23	411	452	493	534	575	616	657	698	739	780	821
24	429	471	514	557	600	643	686	729	771	814	857
25	500	550	600	650	700	750	800	850	900	950	1,000
26	520	572	624	676	728	780	832	884	936	988	1,040
27	540	594	648	702	756	810	864	918	972	1,026	1,080
28	560	616	672	728	784	840	896	952	1,008	1,064	1,120
29	580	638	696	754	812	870	928	986	1,044	1,102	1,160
30	600	660	720	780	840	900	960	1,020	1,080	1,140	1,200
31	620	682	744	806	868	930	992	1,054	1,116	1,178	1,240
32	640	704	768	832	896	960	1,024	1,088	1,152	1,216	1,280
33	660	726	792	858	924	990	1,056	1,122	1,188	1,254	1,320
34	680	748	816	884	952	1,020	1,088	1,156	1,224	1,294	1,360
35	700	770	840	910	980	1,050	1,120	1,190	1,260	1,330	1,400

(1) Rounded to the nearest whole dollar.
(2) Members not choosing “new” disability benefits will receive 90% of this amount.
(3) Average of the highest consecutive 36 months.
Note:If your HAC is not shown, you can add the amount from two or more columns to get your benefit. For example, if your HAC is $3,500 and you have 20 years of service, then $2,000 + $1,500 = $3,500; your estimated monthly benefit will be $714 + $536 = $1,250.
(4) These calculations assume your membership service is the same as your service credit.

2. Option 2

Option 2 is less than Option 1, but after your death, your contingent annuitant will receive the same benefit you had been receiving. Option 2 is an annuity based on the lives of two people. Initially, the member receives the benefit for life, then the same benefit continues to the contingent annuitant for life.

To compute your Option 2 benefit, your Option 1 benefit is multiplied by an Option 2 factor. The factor is based on the age of both the member and the contingent annuitant at the member's retirement date.

The Option 2 factors listed on pages 40 - 41 are for members 47 to 62 years of age. Contingent annuitant ages are in increments of 5 years and provide factors for contingent annuitants both older and younger than the member.

The factors provided on pages 40 - 41 are to provide you with examples. There is not enough space available in this publication to provide the complete actuarial tables for all Option 2 factors.

3. Option 3

Option 3 is very similar to Option 2. It is also an annuity based on the lives of two people. Initially, the member receives the benefit for life, then one-half of the benefit continues to the contingent annuitant for life. Because the contingent annuitant receives half the member's benefit, the member's benefit is larger than the Option 2 benefit.

Option 3 is computed the same as Option 2, using Option 3 factors. The Option 3 factor is based on the age of the member and the contingent annuitant at the member's retirement date.

The Option 3 factors listed on pages 40 - 41 are for members 47 to 62 years of age. Contingent annuitant ages are in increments of 5 years and provide factors for contingent annuitants both older and younger than the member.

The factors provided on pages 40 - 41 are to provide you with examples. There is not enough space available in this publication to provide the complete actuarial table for all Option 3 factors.

NOTE:
A retired member may not change their Option 2 or 3 election or their designated contingent annuitant, except in limited circumstances. See page 43 for a brief explanation of the limited circumstances under which there may be a change to the option elected and the contingent annuitant designated at the time of retirement.

Table 3: Service Retirement Option Factors

Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr	Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr
47	32	0.8445	0.9190	0.995	0.979	51	36	0.8150	0.9020	0.992	0.966
47	37	0.8608	0.9284	0.995	0.979	51	41	0.8341	0.9135	0.992	0.966
47	42	0.8787	0.9385	0.995	0.979	51	46	0.8553	0.9257	0.992	0.966
47	47	0.8975	0.9488	0.995	0.979	51	51	0.8775	0.9382	0.992	0.966
47	52	0.9159	0.9586	0.995	0.979	51	56	0.8995	0.9501	0.992	0.966
47	57	0.9332	0.9675	0.995	0.979	51	61	0.9200	0.9609	0.992	0.966
47	62	0.9483	0.9752	0.995	0.979	51	66	0.9382	0.9701	0.992	0.966
48	33	0.8376	0.9150	0.995	0.976	52	37	0.8069	0.8972	0.991	0.962
48	38	0.8545	0.9249	0.995	0.976	52	42	0.8268	0.9093	0.991	0.962
48	43	0.8732	0.9356	0.995	0.976	52	47	0.8488	0.9221	0.991	0.962
48	48	0.8928	0.9463	0.995	0.976	52	52	0.8720	0.9352	0.991	0.962
48	53	0.9121	0.9567	0.995	0.976	52	57	0.8949	0.9477	0.991	0.962
48	58	0.9301	0.9660	0.995	0.976	52	62	0.9163	0.9590	0.991	0.962
48	63	0.9459	0.9740	0.995	0.976	52	67	0.9353	0.9687	0.991	0.962
49	34	0.8303	0.9109	0.994	0.973	53	38	0.7984	0.8922	0.990	0.957
49	39	0.8480	0.9213	0.994	0.973	53	43	0.8192	0.9049	0.990	0.957
49	44	0.8675	0.9324	0.994	0.973	53	48	0.8421	0.9184	0.990	0.957
49	49	0.8879	0.9438	0.994	0.973	53	53	0.8662	0.9321	0.990	0.957
49	54	0.9081	0.9546	0.994	0.973	53	58	0.8901	0.9452	0.990	0.957
49	59	0.9269	0.9644	0.994	0.973	53	63	0.9125	0.9570	0.990	0.957
49	64	0.9435	0.9728	0.994	0.973	53	68	0.9324	.09672	0.990	0.957
50	35	0.8228	0.9065	0.993	0.970	54	39	0.7897	0.8870	0.989	0.951
50	40	0.8412	0.9175	0.993	0.970	54	44	0.8113	0.9003	0.989	0.951
50	45	0.8615	0.9292	0.993	0.970	54	49	0.8351	.09144	0.989	0.951
50	50	0.8828	0.9410	0.993	0.970	54	54	0.8602	.09288	0.989	0.951
50	55	0.9039	0.9524	0.993	0.970	54	59	0.8852	0.9425	0.989	0.951
50	60	0.9235	0.9627	0.993	0.970	54	64	0.9085	0.9550	0.989	0.951
50	65	0.9409	0.9715	0.993	0.970	54	69	0.9293	0.9657	0.989	0.951

*Mem = Member's Age ** CA = Contingent Annuitant's Age

Mem *	CA **	Opt2	Opt3	Opt4 10-yr	Opt4 20-yr	Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr
55	40	0.7807	0.8815	0.987	0.945	59	44	0.7415	0.8571	0.978	0.914
55	45	0.8031	0.8954	0.987	0.945	59	49	0.7674	0.8739	0.978	0.914
55	50	0.8279	0.9103	0.987	0.945	59	54	0.7962	0.8918	0.978	0.914
55	55	0.8540	0.9254	0.987	0.945	59	59	0.8267	0.9100	0.978	0.914
55	60	0.8800	0.9398	0.987	0.945	59	64	0.8572	0.9274	0.978	0.914
55	65	0.9044	.09528	0.987	0.945	59	69	0.8860	.09431	0.978	0.914
55	70	0.9261	0.9641	0.987	0.945	59	74	0.9120	.09568	0.978	0.914
56	41	0.7713	0.8758	0.985	0.938	60	45	0.7311	0.8504	0.975	0.904
56	46	0.7946	0.8904	0.985	0.938	60	50	0.7579	0.8680	0.975	0.904
56	51	0.8203	0.9060	0.985	0.938	60	55	0.7878	0.8868	0.975	0.904
56	56	0.8475	0.9218	0.985	0.938	60	60	0.8194	0.9058	0.975	0.904
56	61	0.8746	0.9369	0.985	0.938	60	65	0.8511	0.9240	0.975	0.904
56	66	0.9000	.09505	0.985	0.938	60	70	0.8812	0.9405	0.975	0.904
56	71	0.9228	.09624	0.985	0.938	60	75	0.9083	0.9549	0.975	0.904
57	42	0.7617	0.8698	0.983	0.931	61	46	0.7204	0.8435	0.971	0.893
57	47	0.7858	0.8851	0.983	0.931	61	51	0.7482	0.8619	0.971	0.893
57	52	0.8125	0.9014	0.983	0.931	61	56	0.7792	0.8816	0.971	0.893
57	57	0.8408	0.9180	0.983	0.931	61	61	0.8120	0.9015	0.971	0.893
57	62	0.8689	0.9338	0.983	0.931	61	66	0.8449	0.9205	0.971	0.893
57	67	0.8955	.09481	0.983	0.931	61	71	0.8763	0.9379	0.971	0.893
57	72	0.9193	.09606	0.983	0.931	61	76	0.9045	0.9529	0.971	0.893
58	43	0.7517	0.8636	0.981	0.923	62	47	0.7096	0.8364	0.967	0.882
58	48	0.7767	0.8796	0.981	0.923	62	52	0.7383	0.8556	0.967	0.882
58	53	0.8045	0.8967	0.981	0.923	62	57	0.7704	0.8762	0.967	0.882
58	58	0.8339	0.9141	0.981	0.923	62	62	0.8044	0.8971	0.967	0.882
58	63	0.8631	0.9306	0.981	0.923	62	67	0.8386	0.9170	0.967	0.882
58	68	0.8908	.09457	0.981	0.923	62	72	0.8713	0.9352	0.967	0.882
58	73	0.9157	.09587	0.981	0.923	62	77	0.9007	0.9509	0.967	0.882

4. Option 4

Option 4 can also provide a continuing benefit to one or more contingent annuitants. As with all options, the retired member will receive the monthly benefit for life. If the retiree dies before the end of the "certain" or guaranteed period, the contingent annuitant(s) will receive the benefit for the balance of the period. Payments to the contingent annuitant(s) will stop when the guaranteed period ends. This benefit has two sub-options.

- **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. **You will receive this benefit for life.** If the member dies within the 10-year period, then the contingent annuitant(s) will receive the same benefit. However, benefit payments to the contingent annuitant(s) will end when the 10-year period ends. The 10-year period begins on the member's effective date of retirement.

  The retiree may change their contingent annuitant designation. Contingent annuitants receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

- **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. Other than the length of time, the 10- and 20-year period certain options are the same. The 20-year period begins on the member's effective date of retirement.

The Option 4 benefit is calculated using Option 4 factors based on the member's age. Factors are provided on the previous two pages for members 47 to 62 years of age. There is not enough space available in this publication to provide the complete actuarial table.

NOTE: If there is more than one contingent annuitant named, upon the death of the retiree, they will receive the continuing benefit payment, divided equally, for the remainder of the 10- or 20-year period.

5. Changes to Options

There are limited circumstances which will allow a retired member to change their option or contingent annuitant, if they are eligible. A written application must be filed with the MPERA to make a change if one of the following conditions are met.

- The original contingent annuitant dies.

- The member and the contingent annuitant divorce and the court does not grant the contingent annuitant the right to receive part of the benefit.

A member who retires **on or after October 1, 1999**, and selects Option 2 or 3 may revert to the higher option 1 retirement benefit as was available at the time of the member's retirement, if one of the above conditions are met. The notification and change must occur within 18 months of the death of or divorce from the contingent annuitant (see below).

A member who retired **before October 1, 1999** and selected Option 2 or 3 has the right to change their contingent annuitant **and** choose a new option if one of the above conditions are met.

NOTE:
The retired member must designate a new contingent annuitant or payment option, **in writing, within 18 months** of the death of or divorce from the contingent annuitant. Retirees should contact the MPERA to get an estimate of the new benefit and an application form to select a new option or change the contingent annuitant.

(§ 19-3-1501, MCA)

6. Sample Calculations

Service Retirement

Wanda Retire, Age	60
Membership Service	18 years
Service Credit	18 years
Highest Average Compensation (HAC)	$1,750 per month
Account Balance at Retirement	$28,796
Contingent Annuitant's Age	61

Option 1 Formula: 1/56 x Service Credit x HAC
1/56 x 18 x $1,750 = $562.50/month

Because Wanda has less than 25 years of Membership Service, the 1/56 factor is used. (See page 26 for an explanation of the basic formula.) Under Payment Option 1, Wanda will receive a benefit of $562.50 each month for the remainder of her life. Upon her death, her beneficiaries will receive the balance of her account. The account balance is equal to her contributions plus interest at retirement less all benefits paid to her.

Option 2 Formula: Option 1 Amount x Option 2 Factor
$562.50 x .8258 = $464.51 per month

If Wanda elects Option 2, she will receive a benefit of $464.51 each month for the remainder of her life. Upon her death, the PERS will pay the same amount, $464.51, to her contingent annuitant for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$562.50 x .9095 = $511.59 per month

Option 3 will provide Wanda a benefit of $511.59 each month. Upon Wanda's death, her contingent annuitant will receive, for life, ½ of Wanda's benefit payment, or $255.80.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.975
$562.50 x .975 = $548.44 per month

20-Year certain: Option 1 Amount x 0.904
$562.50 x .904 = $508.50 per month

If Wanda chooses the 10-year certain payment option, she will receive $548.44 per month, for life. Should she die before the 10-year period ends, then her contingent annuitant(s) will receive $548.44 per month. The total payment to all contingent annuitants is $548.44, not $548.44 to each. Payments will continue for the rest of the 10-year period. If Wanda dies after the 10-year period ends, all payments end. Her contingent annuitant(s) won't receive any payments.

If Wanda chooses the 20-year certain payment option, she will get $508.50 per month, for life. Should she die before the end of the 20-year period, the contingent annuitant(s) receive a total of $508.50 per month. Payments end when the 20-year period ends. In the event she dies after the 20-year period ends, her contingent annuitant(s) won't receive any payments.

The 10- and 20-year periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are based on the member's age.

Early Retirement

Kenny Retire, Age	51
Membership Service	25 Years
Service Credit	25 Years
Highest Average Compensation (HAC)	$1,500 per month
Account Balance at Retirement	$42,796
Contingent Annuitant's Age	51

Because Kenny has 25 years of Membership Service, the basic formula will use the 1/50 factor. If Kenny had less than 25 years of Membership Service, the 1/56 factor would be used. (See page 26 for an explanation of the basic formula.)

Option 1 Formula:

1/50 x Service Credit x HAC x Early Retirement Factor

1/50 x 25 x $1,500 x .70 = $525.00/month

The early retirement factor is .70 for Kenny. Two factors could apply to Kenny, either .556 for age 51 or .70 for 25 years of service credit. We use .70 because it gives Kenny a larger benefit.

See Table 1 on page 27 for a list of early retirement factors. Under Payment Option 1, Kenny will receive a benefit of $525.00 each month for the remainder of his life. Upon his death, his beneficiaries will receive the balance of his account. The account balance is equal to his contributions plus interest at retirement less all benefits paid to him.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$525.00 x .8775 = $460.69 per month

Option 2 will provide Kenny $460.69 per month for the rest of his life. Upon his death, Kenny's contingent annuitant will receive the same monthly benefit, $460.69, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$525.00 x .9382 = $492.56 per month

Option 3 will provide Kenny a benefit of $492.56 each month. Upon Kenny's death, his contingent annuitant will receive, for life, ½ of his benefit payment, or $246.28

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.992
$525.00 x .992 = $520.80 per month

20-Year certain: Option 1 Amount x 0.966
$525.00 x .966 = $507.15 per month

If Kenny chooses the 10-year certain payment option, he will get $520.80 per month, for life. If he dies before the 10-year period ends, then his contingent annuitant(s) receive a total of $520.80 per month. Payments will continue for the rest of the 10-year period. Should Kenny die after the 10-year period ends, all payments end. His contingent annuitant(s) won't receive any payments.

If Kenny chooses the 20-year certain payment option, he will receive $507.15 per month, for life. Should he die before the end of the 20-year period, the contingent annuitant(s) receive a total of $507.15 per month. Payments end when the 20-year period ends. In the event he dies after the 20-year period ends, his contingent annuitant(s) won't receive any payments.

Section IV: Additional Information

1. Death Benefits

Upon your death, if you were receiving an Option 2, 3, or 4 retirement benefit, your contingent annuitant would receive the benefit as explained in Section III, Payment Options.

A named beneficiary may receive a death benefit under limited circumstances as explained on the next two pages.

Beneficiaries

Keep your designated beneficiaries current. You may change your beneficiaries only by completing a new membership card.

Members may designate any persons, charitable organization, or trusts (for the benefit of a living person) they wish as a beneficiary. You must designate your beneficiaries on a PERS membership card and give the card to your payroll clerk. The clerk will send the card to us. Whenever you wish, you may name new beneficiaries by sending us a new membership card. If you are an inactive member, call us and we will send you a new card. Beneficiaries are either primary or contingent. Contingent beneficiaries will receive something only if no living primary beneficiary exists. (§§ 19-2-801 and 19-2-802, MCA)

NOTE:
Advise your beneficiary to contact the MPERA for complete details about benefits in the event of your death.

Death Benefit Claim - Active or Inactive Member

Upon receipt of notification of a member's death, we will send a death benefit claim to the designated beneficiary. To make a claim for a death benefit, the beneficiary must return the form to the MPERA along with written proof of the member's death. A copy of the death certificate is the best document to send. (§ 19-3-1201, MCA)

Account Balance - Retired Member

If you retire under Option 1, and you die before receiving benefits equal to your account (your contributions plus interest), your beneficiaries will receive your remaining account balance. Your remaining account balance is your contributions plus interest at the date of retirement minus any benefit payments you received. (§ 19-3-1210, MCA)

Service Death Payment

In some cases, as identified below, the PERS will pay a lump-sum death payment to a member's beneficiary. This death payment will be the sum of: (1) the member's accumulated contributions (member's contributions plus interest); (2) an amount equal to 6 months of the members salary or an amount based on the years of service a member may have. You will receive interest on the amounts in (1) and (2) to the date the payment is made. This lump-sum death payment will be paid if the member's death occurs in any of the following cases:

- while in active service.
- within 6 months after active service but before receiving a benefit.
- within 6 months after a disability benefit begins.
- during disability, which has been continuous since leaving active service, when the member is not receiving a disability retirement benefit.

Under these circumstances, a beneficiary can receive the payment as a lump sum or a fixed monthly annuity payment. The fixed monthly annuity payment alternative is explained below.

Monthly annuity payments are guaranteed for life. The amount of the monthly payment will not change. Increases that may apply to other monthly benefits will not apply to these monthly annuity payments. To receive the monthly annuity payments, the beneficiary must send a written election to the Board. (§§ 19-3-1201, 19-3-1202 and 19-3-1203, MCA)

Survivorship Benefit

To receive a survivorship benefit, a beneficiary must apply within 90 days after receiving notice they are eligible for a death payment.

Generally, a beneficiary eligible to receive a service death payment can choose to receive a survivorship benefit instead. A survivorship benefit is calculated based on the value of a vested member's potential benefit if the member had not died before receiving the benefit.

A survivorship benefit is also a monthly payment for life but may be more than the monthly annuity payment. Benefit increases such as the GABA also apply to the survivorship benefit but do not apply to annuity payments. (§§ 19-3-1204 and 19-3-1205, MCA)

2. Benefit Increases

The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible.**

GABA

The GABA insures an increase of three percent over the previous year. Other events which increase your benefit will reduce the amount you get from the GABA. If the other increases are three percent or more, then you will get no increase from GABA. (§§19-2-1101 and 19-3-1605, MCA)

The GABA applies to:

- Service Retirement Benefit
- Early Retirement Benefit
- Disability Retirement Benefit
- Survivorship Benefit

It also applies to recipients, other than members, such as contingent annuitants and survivors. It **does not apply** to a person receiving the lump-sum death payment as an annuity.

Eligibility for GABA Benefits

You must meet some conditions before you will get a raise under the GABA. First, you must receive your benefit for at least 12 months. For example, if you retired on July 1, 2001, you will meet the 12-month requirement on July 1, 2002. You will receive your first GABA increase beginning with your January 1, 2003, benefit as explained on the next page.

Effective Date of GABA Benefits

The annual GABA increase for the calendar years begins with the January benefit after you have been retired for 12 months. We will apply the increase of three percent beginning with your January benefit. The monthly benefit is mailed to you or transferred electronically to your bank on the last working day of the month.

NOTE:
Your January benefit payment is mailed to you on the last working day of January. If you get your benefit by electronic transfer, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With electronic transfer, you receive your money one or two days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit derived from contributions which were not taxed (tax-deferred) during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you have paid the tax on any contributions you paid to buy service before the year 2000. You have not paid taxes on the money for your regular contributions since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money, you must pay taxes on that part. (§19-3-315, MCA)

Tax Statements

Once you are retired and receiving a benefit, each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the PERS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We will withhold 20% for tax purposes if we send the refund directly to you. Taxable amounts for state and federal taxes may be different,

because the state does not tax the interest. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund also allows you to avoid the penalty. If you accept a lump-sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan. Be prepared to provide the IRS documentation of this reinvestment or roll-over to avoid paying the 10% penalty.

If you receive the payment, we must withhold federal taxes and the IRS will charge for an early withdrawal. Roll the money over and no money will be withheld for taxes.

Remember, when you receive the refund directly, the IRS requires us to withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documentation to the IRS of your reinvestment or "roll-over" of your refund, as described above, to avoid payment of the penalty.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, the court may assign your PERS benefit to another person. This includes a Family Law Order (FLO) which must be a judgment, decree, or order of a Montana court. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§§ 19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the MPERA to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may not require the MPERA to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the MPERA to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the MPERA may pay you. (§ 19-2-907 and 19-2-909 MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The MPERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you correspond with the MPERA by mail or fax, please include your full name, printed and signed, your Social Security Number, and your return address and daytime telephone number.

Mailing Address: **MPERA**
PO Box 200131
Helena MT 59620-0131

FAX Number: **406-444-5428**

You may also e-mail requests to the MPERA. Be sure to include your full name, Social Security Number, and return address and daytime telephone number.

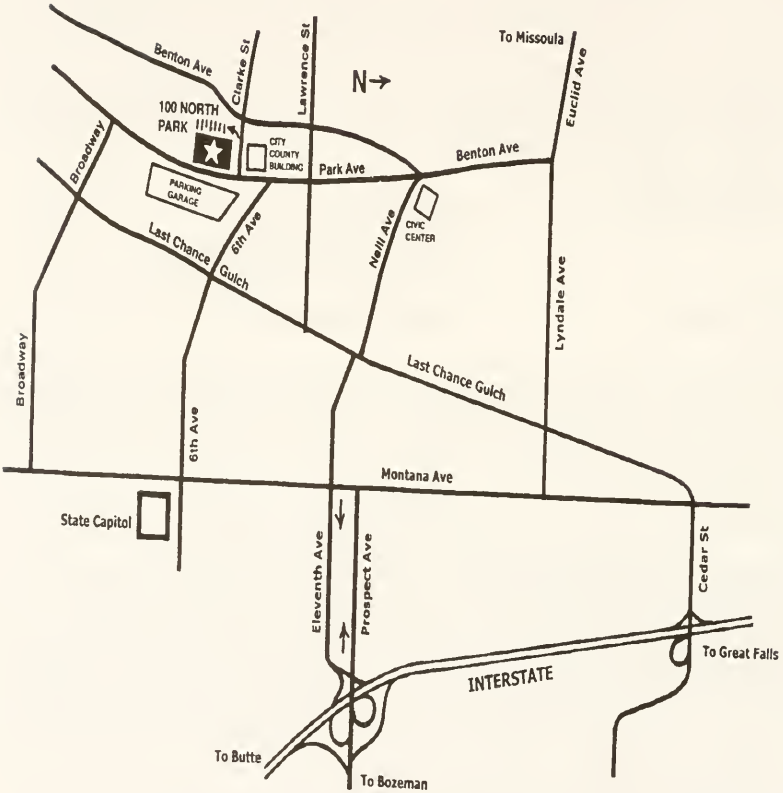
E-mail Address: **Mpera@state.mt.us**

We invite you visit the MPERA in Helena at 100 North Park Avenue, Suite 220. (See map on next page.) Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. **It is most helpful for staff if you make an appointment in advance when you are planning to visit our office.** Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

How to find us in Helena.

100 North Park Avenue, Suite 220



GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a PERS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACCUMULATED CONTRIBUTIONS - any regular and additional contributions made by a member plus interest earned.

ACTUARIAL COST - the amount determined by the Board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

ANNUITY - equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

BENEFIT - a service or disability retirement or survivorship provided by the PERS.

CONTINGENT ANNUITANT - a person the retired member names to receive a continuing benefit after the member's death.

CONTRACTING EMPLOYER - a political subdivision of the state that contracts with the Board to cover its employees under the PERS.

COMPENSATION - the pay an employee receives before deducting taxes or social security in accordance with § 19-3-108, MCA.

CREDITED SERVICE or **SERVICE CREDIT** - the periods in which you contribute the required money to the PERS. The MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

DESIGNATED BENEFICIARY - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended and uncertain period.

EMPLOYEE - a person employed by a PERS employer in any capacity and the employer pays the person's salary.

EMPLOYER - the state, its university system, or political subdivisions that contract with the Board to cover their employees under the PERS.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

HIGHEST AVERAGE COMPENSATION (HAC) - a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your HAC may include termination payments, but only if they replace regular pay on a month for month basis.

INACTIVE MEMBER - a member who terminates PERS-covered employment and does not withdraw his or her PERS account.

IRA - an individual retirement account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the PERS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month membership service for any month you contribute to the PERS, even if you only work one day during that month. If you contribute anything, you get membership service for the whole month.

NORMAL RETIREMENT AGE - the age at which a member is eligible to immediately receive a retirement benefit from the PERS without disability and without a reduction. Eligibility is based on the member's age, length of service, or both.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the PERS.

REFUND - a withdrawal of all the money in a member's PERS account. By taking a refund, the member gives up all rights to any other benefits from the PERS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the PERS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - (1) interest earned on the payments made to a member's account. This rate is set by the Board and is tax-deferred. (2) the interest rate charged for monthly service purchase payments. The rates for (1) and (2) may not be the same.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SURVIVORSHIP BENEFIT - monthly payments for life to the beneficiary of a vested member who died while an active member.

TERMINATION OF EMPLOYMENT or TERMINATION OF SERVICE - is a term used to mean the member quit, or ended employment covered by the PERS. Upon termination, the member will cease to accrue benefits attributable to that employment. The member must receive a payout of sick and annual leave along with compensation.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

Attn: Lucie Willson
P.O. Box 200131
Montana Public Employee Retirement Administration (MPERA)
Helena, MT 59620-0131

You may contact the MPERA at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
Fax: 406-444-5428

For more information, contact:

Department of Administration
Personnel Division
Phone: 406-444-3871
TDD no. 406-444-1421

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